

**CITY OF MILLINGTON, TENNESSEE**

**FINANCIAL STATEMENTS**

June 30, 2009

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Sanitation Fund	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to Financial Statements	20
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues – Budget and Actual – General Fund	37
Schedule of Expenditures – Budget and Actual – General Fund	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Improvements Fund	43
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	46
Schedule of Expenditures of Federal and State Awards	52

## TABLE OF CONTENTS

---

	Page
<b>SUPPLEMENTARY INFORMATION (CONTINUED)</b>	
Schedule of Salaries and Fidelity Bonds of Principal Officials	53
Schedule of Insurance	54
Governmental Funds Revenues by Source – Last Ten Fiscal Years	55
Governmental Funds Expenditures by Function – Last Ten Fiscal Years	56
Analysis of Tax Rates and Assessments – Last Ten Fiscal Years	57
Schedule of Water, Sewer, and Sanitation Rates	58
Schedule of Uncollected Delinquent Taxes Filed	59
Schedule of Changes in Property Taxes Receivable – by Levy Year	60
Schedule of Unaccounted for Water	61
<b>GOVERNMENT AUDITING STANDARDS</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International

1661 Aaron Brenner Drive • Suite 300  
Memphis, Tennessee 38120  
901.761.2720 • Fax: 901.683.1120

499 Gloster Creek Village • Suite F-9  
Tupelo, Mississippi 38801  
662.269.4014 • Fax: 662.269.4016

[www.wucpas.com](http://www.wucpas.com)

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Board of Aldermen of the  
City of Millington, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and sanitation fund, and the aggregate remaining fund information of the City of Millington, Tennessee, (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test, basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund and sanitation fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information shown on pages 37 to 52 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information shown on pages 53 to 61 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Watkins Wilkerson, PLLC*

Memphis, Tennessee  
December 22, 2009

**CITY OF MILLINGTON, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

As management of the City of Millington, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent year by \$34,224,225 (net assets). Of this amount, \$7,536,802 may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets decreased by \$912,922 from the previous year.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$15,695,210. This is an increase of \$4,194,760 compared to the previous year's balance. Approximately 99.2% of this total amount, \$15,563,659, is available for spending at the City's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 6,719,855 or 66% of total general fund expenditures including transfers out.

The City obtained a new general obligation bond in the amount of \$5,000,000 for building Veterans Parkway.

The City's principle payments on debt were \$ 543,361 during the current fiscal year.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation and environment, parks and recreation, and capital projects. The business-type activities of the City include water and sewer services.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF MILLINGTON, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the citywide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine (9) individual government funds. Six (6) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, sanitation fund, capital projects fund, and nonmajor governmental funds, all of which are combined into a single, aggregate presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found starting on page 9 of this report.

A budgetary comparison statement is included in the basic financial statements for the general fund and sanitation fund. Budgetary comparison statements for nonmajor special revenue funds can be found in a later section of this report.

**Proprietary Funds**

The City maintains two (2) different proprietary funds, both of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer activities, which are considered major funds of the City. The proprietary fund financial statements can be found on **pages 17-19** of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on **pages 20-36** of this report.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds and budget comparison schedules for funds with legal budgets other than the general fund and sanitation fund are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 44 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$34,224,225 at the close of the most recent fiscal year. This is a decrease of \$912,922 from last year's net assets of \$ 35,137,147.

Of the City's total net assets, seventy-eight percent (78%) is reflected in investment in capital assets (e.g. land, buildings, equipment, etc.) less any related debt incurred to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF MILLINGTON, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

The following provides a summary of the City's net assets at June 30, 2009:

Summary of Net Assets  
(dollars expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 18,947	\$ 14,617	\$ (2,251)	\$ (2,211)	\$ 16,696	\$ 12,406
Capital assets	11,320	11,610	16,803	17,163	28,123	28,773
Total assets	<u>30,267</u>	<u>26,227</u>	<u>14,552</u>	<u>14,952</u>	<u>44,819</u>	<u>41,179</u>
Long-term liabilities	7,291	2,860	-	-	7,291	2,860
Other liabilities	3,148	2,960	156	222	3,304	3,182
Total liabilities	<u>10,439</u>	<u>5,820</u>	<u>156</u>	<u>222</u>	<u>10,595</u>	<u>6,042</u>
Net assets:						
Invested in capital assets, net of related debt	9,753	11,610	16,803	17,163	26,556	28,773
Restricted	132	25	-	-	132	25
Unrestricted	9,943	8,772	(2,406)	(2,433)	7,537	6,339
Total net assets	<u>\$19,828</u>	<u>\$ 20,407</u>	<u>\$14,397</u>	<u>\$ 14,730</u>	<u>\$34,224</u>	<u>\$ 35,137</u>

The City's restricted net assets of \$131,551 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$7,536,802 may be used to met the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

The government's net assets decreased by \$912,922 during the current fiscal year. Of this amount, \$580,063 represented a decrease in the net assets from governmental activities and \$332,859 represented a decrease in the net assets from business-type activities.



**CITY OF MILLINGTON, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

The following is a summary of activities for the City during the fiscal year ended June 30, 2009:

Summary of Change in Net Assets  
(dollars expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Program Revenues						
Charges for services	\$ 2,412	\$ 2,519	\$ 2,076	\$ 1,943	\$ 4,488	\$ 4,462
Operating grants and contributions	305	328	-	-	305	328
Capital grants and contributions	173	149	9	69	182	218
General revenues						
Local taxes	5,955	5,867	-	-	5,955	5,867
Intergovernmental	2,022	1,870	-	-	2,022	1,870
Interest on investments	156	320	18	32	174	352
Inc. (dec.) in fair value of invest.	1	26	-	-	1	26
Other	397	359	16	22	413	381
Transfers	-	-	-	-	-	-
Total revenues	<u>11,421</u>	<u>11,438</u>	<u>2,119</u>	<u>2,066</u>	<u>13,540</u>	<u>13,504</u>
Expenses						
General government	1,955	2,019	-	-	1,955	2,019
Public safety	6,504	6,674	-	-	6,504	6,674
Transportation and environment	2,340	2,257	-	-	2,340	2,257
Parks and recreation	1,079	1,093	-	-	1,079	1,093
Capital projects	-	-	-	-	-	-
Interest on long-term debt	73	81	-	-	73	81
Water	-	-	1,088	1,103	1,088	1,103
Sewer	-	-	1,364	1,326	1,364	1,326
Total expenses	<u>11,951</u>	<u>12,124</u>	<u>2,452</u>	<u>2,429</u>	<u>14,403</u>	<u>14,553</u>
Change in net assets	(580)	(686)	(333)	(363)	(913)	(1,049)
Net assets - beginning of year	<u>20,407</u>	<u>21,094</u>	<u>14,730</u>	<u>15,093</u>	<u>35,137</u>	<u>36,187</u>
Net assets - end of year	<u>\$ 19,827</u>	<u>\$ 20,408</u>	<u>\$ 14,397</u>	<u>\$ 14,730</u>	<u>\$ 34,224</u>	<u>\$ 35,138</u>

**Governmental Activities**

Governmental activities decreased the City's net assets by \$ 580,063. This decrease is primarily due to

\$ 530,019 Governmental activities expenses in excess of Revenues  
\$ 50,044 Adjustment to prior year funds

**Business-Type Activities**

Business-type activities decreased the City's net assets by \$332,859. The key elements of this decrease are as follows:

\$ 332,859 Operating and non-operating expenses in excess of revenues.

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Millington's governmental funds reported combined ending fund balances of \$15,695,210, which was an increase of \$4,194,760 in comparison with the prior year. Approximately 99.2% of this amount, \$15,563,659, constitutes unreserved fund balance, which is available for spending at the City's discretion.

The key elements of the increase of \$4,194,760 are as follows:

\$5,000,000 Loan from the Tennessee Municipal League for construction of Veterans Parkway

**CITY OF MILLINGTON, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

The general fund is the principal operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$6,719,855, all of which was unreserved. The General Fund balance represents approximately 66% of the total general fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$ 594,551 as a result of the current year operations.

The capital projects fund has a total fund balance of \$8,416,109, all of which was unreserved. The fund balance of the Capital Projects fund increased by \$4,615,927. This increase represents the \$5,000,000 loan for Veterans Parkway and needed capital expenditures in excess of other revenue received in this fund.

Nonmajor (other) governmental funds have a fund balance of \$ 819,093. Of this amount, \$ 687,542 is unreserved but board designated for special revenue fund expenditures. The remaining balance is reserved due to restrictions imposed by outside sources. The combined fund balance for all nonmajor governmental funds increased by \$433,321.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to (\$3,589,999) and \$1,183,723, respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to \$28,122,672 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furnishing and equipment, and construction in process. The infrastructure (roads, bridges, sidewalks, etc.) of the City for expenditures prior to the implementation of GASB 34 have not been capitalized and included in this balance. With the implementation of GASB 34, the City will capitalize the cost of infrastructure and record depreciation appropriately.

Major capital asset events during the fiscal year included the following:

Vehicles	\$19,800
Sewer Plant Additions	\$366,424

Summary of Capital Assets  
(dollars expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 5,121	\$ 5,206	\$ 727	\$ 727	\$ 5,848	\$ 5,933
Buildings and improvements	7,366	6,985	24,690	24,550	32,056	31,535
Furnishing and equipment	907	900	3,688	3,462	4,595	4,362
Vehicles	3,741	4,112	441	441	4,182	4,553
Construction in process	-	-	-	-	0	-
	17,135	17,203	29,546	29,180	46,681	46,383
Less accumulated depreciation	(5,816)	(5,593)	(12,743)	(12,017)	(18,559)	(17,610)
Total capital assets	\$ 11,319	\$ 11,610	\$ 16,803	\$ 17,163	\$ 28,122	\$ 28,773

Additional information on the City's capital assets can be found in Note 4 C to the financial statements on pages 29-30.

**CITY OF MILLINGTON, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Summary of Outstanding Debt  
(dollars expressed in thousands)

	Governmental		Business-Type		Totals			
	Activities		Activities					
YMCA Commitment	\$	749	\$	867	\$	749	\$	867
General obligation loans		6,542		1,993		6,542		1,993
Total long-term debt	\$	7,291	\$	2,860	\$	7,291	\$	2,860

Information related to the City's long-term debt can be found in Note 4 E to the financial statements on pages 31-32 of this report.

**Economic Factors and Next Year's Budgets and Rates**

Factors considered in preparing the City's budget for the 2009-2010 Fiscal year are discussed fully in the budget document and include the following:

Increase in property tax revenue from raising rates from the \$1.15 new assessment to \$1.23.

Increasing water rates 35% over FY09 and FY10.

The cost reduction measures implemented in FY 2010 has reduced overall operating expenditures.

Standardizing sewer fees for all customers.

At June 30, 2009, the unreserved fund balance in the general fund was \$6,719,855. The City has approved a balanced General Fund operating budget of \$10,450,307 for the fiscal year 2009-2010 without the use of any of the unreserved General Fund balance.

**Requests for Information**

The financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Millington, Finance Director, 7930 Nelson Street, Millington, Tennessee, 38053.

**CITY OF MILLINGTON, TENNESSEE**

**STATEMENT OF NET ASSETS**

June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,356,753	\$ 980,422	\$ 12,337,175
Investments - unrestricted	526,895	-	526,895
Receivables			
Property taxes	2,432,735	-	2,432,735
Beer taxes	49,075	-	49,075
Accounts	95,623	337,867	433,490
Interest	8,138	324	8,462
Other	28,637	-	28,637
Less allowance for doubtful accounts	(234,335)	(69,255)	(303,590)
Internal balances	3,579,681	(3,579,681)	-
Due from other governments	944,525	54,658	999,183
Inventory	65,776	-	65,776
Restricted cash	19,717	650	20,367
Prepaid Items	73,890	24,398	98,288
Capital assets, not being depreciated	5,120,704	726,949	5,847,653
Capital assets, being depreciated, net	6,198,967	16,076,052	22,275,019
Total assets	<u>30,266,781</u>	<u>14,552,384</u>	<u>44,819,165</u>
<b>LIABILITIES</b>			
Accounts payable	124,007	11,325	135,332
Accrued expenses	824,827	143,684	968,511
Deferred revenue	2,160,323	-	2,160,323
Customer deposits	-	650	650
Due to other governments	38,869	-	38,869
Noncurrent liabilities:			
Due within one year	571,547	-	571,547
Due in more than one year	6,719,708	-	6,719,708
Total liabilities	<u>10,439,281</u>	<u>155,659</u>	<u>10,594,940</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,752,871	16,803,001	26,555,872
Restricted for:			
Public safety	131,551	-	131,551
Unrestricted	9,943,078	(2,406,276)	7,536,802
Total net assets	<u>\$ 19,827,500</u>	<u>\$ 14,396,725</u>	<u>\$ 34,224,225</u>

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 1,955,437	\$ 655,940	\$ -	\$ -	\$ (1,299,497)	\$ -	\$ (1,299,497)
Public safety	6,503,968	622,957	7,449	-	(5,873,562)	-	(5,873,562)
Community services	1,078,666	142,315	-	-	(936,351)	-	(936,351)
Transportation and environment	2,339,743	990,865	297,470	172,670	(878,738)	-	(878,738)
Interest on long-term debt	72,715	-	-	-	(72,715)	-	(72,715)
Total governmental activities	<u>11,950,529</u>	<u>2,412,077</u>	<u>304,919</u>	<u>172,670</u>	<u>(9,060,863)</u>	<u>-</u>	<u>(9,060,863)</u>
Business-type activities:							
Water	1,088,476	946,046	-	6,150	-	(136,280)	(136,280)
Sewer	1,364,031	1,130,424	-	3,600	-	(230,007)	(230,007)
Total business-type activities	<u>2,452,507</u>	<u>2,076,470</u>	<u>-</u>	<u>9,750</u>	<u>-</u>	<u>(366,287)</u>	<u>(366,287)</u>
Total primary government	<u>\$ 14,403,036</u>	<u>\$ 4,488,547</u>	<u>\$ 304,919</u>	<u>\$ 182,420</u>	<u>(9,060,863)</u>	<u>(366,287)</u>	<u>(9,427,150)</u>
General revenues:							
Local taxes					5,954,632	-	5,954,632
Intergovernmental					2,022,380	-	2,022,380
Interest on investments					156,067	17,609	173,676
Change in market value of investments					1,168	-	1,168
Other					396,597	15,819	412,416
Total general revenues and transfers					<u>8,530,844</u>	<u>33,428</u>	<u>8,564,272</u>
Change in net assets					<u>(530,019)</u>	<u>(332,859)</u>	<u>(862,878)</u>
Net assets - beginning, as previously reported					20,407,563	14,729,584	35,137,147
Prior Period adjustment					<u>(50,044)</u>	<u>-</u>	<u>(50,044)</u>
Net assets - beginning, as restated					<u>20,357,519</u>	<u>14,729,584</u>	<u>35,087,103</u>
Net assets - ending					<u>\$ 19,827,500</u>	<u>\$ 14,396,725</u>	<u>\$ 34,224,225</u>

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Special Revenue Sanitation Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,269,222	\$ 231,435	\$ 5,089,582	\$ 766,514	\$ 11,356,753
Investments - unrestricted	-	-	526,895	-	526,895
Receivables					
Property taxes	2,432,735	-	-	-	2,432,735
Beer taxes	49,075	-	-	-	49,075
Accounts	-	95,623	-	-	95,623
Interest	1,263	39	6,751	85	8,138
Other	28,637	-	-	-	28,637
Less allowance for doubtful accounts	(174,829)	(53,117)	-	(6,389)	(234,335)
Due from other funds	1,431,862	102	4,118,269	171,943	5,722,176
Due from other governments	835,093	-	50,970	58,462	944,525
Inventory	65,776	-	-	-	65,776
Restricted cash	19,717	-	-	-	19,717
Prepaid items	60,186	6,172	-	7,532	73,890
<b>Total assets</b>	<b>\$ 10,018,737</b>	<b>\$ 280,254</b>	<b>\$ 9,792,467</b>	<b>\$ 998,147</b>	<b>\$ 21,089,605</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 109,139	\$ 10,780	\$ 378	\$ 3,710	\$ 124,007
Accrued liabilities	723,137	60,781	13	40,896	824,827
Deferred revenue	2,261,170	-	-	3,027	2,264,197
Due to other governments	38,869	-	-	-	38,869
Due to other funds	166,567	468,540	1,375,967	131,421	2,142,495
<b>Total liabilities</b>	<b>3,298,882</b>	<b>540,101</b>	<b>1,376,358</b>	<b>179,054</b>	<b>5,394,395</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
DEA Drug Funds	-	-	-	82,812	82,812
Drug Fund	-	-	-	48,739	48,739
<b>Unreserved, reported in:</b>					
General fund	6,719,855	-	-	-	6,719,855
Capital Improvements fund	-	-	8,416,109	-	8,416,109
Special revenue funds	-	(259,847)	-	687,542	427,695
<b>Total fund balances</b>	<b>6,719,855</b>	<b>(259,847)</b>	<b>8,416,109</b>	<b>819,093</b>	<b>15,695,210</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,018,737</b>	<b>\$ 280,254</b>	<b>\$ 9,792,467</b>	<b>\$ 998,147</b>	<b>\$ 21,089,605</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF MILLINGTON, TENNESSEE**

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS**

June 30, 2009

---

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances	\$ 15,695,210
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,319,671
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	103,874
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(7,291,255)</u>
Net assets of governmental activities	<u><u>\$ 19,827,500</u></u>

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	General Fund	Special Revenue Sanitation Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 6,036,013	\$ -	\$ -	\$ -	\$ 6,036,013
Licenses and permits	312,869	-	-	-	312,869
Intergovernmental	2,022,380	-	-	297,470	2,319,850
Charges for services	485,386	751,401	-	239,464	1,476,251
Fines, forfeitures, and penalties	504,716	-	-	115,214	619,930
Federal, state and local grants	-	-	172,670	7,449	180,119
Interest on investments	104,268	2,643	41,879	7,277	156,067
Change in market value of investments	-	-	1,168	-	1,168
Other	178,147	21,135	150,000	47,990	397,272
Total revenues	<u>9,643,779</u>	<u>775,179</u>	<u>365,717</u>	<u>714,864</u>	<u>11,499,539</u>
<b>EXPENDITURES</b>					
Current					
General government	1,914,036	-	-	-	1,914,036
Public safety	6,201,556	-	-	60,621	6,262,177
Community services	985,116	-	-	-	985,116
Transportation and environment	583,121	827,205	-	765,789	2,176,115
Capital improvements	-	-	276,215	-	276,215
Debt Service					
Principal	-	-	-	543,361	543,361
Interest and fiscal charges	-	-	-	72,715	72,715
Bond issuance costs	-	-	25,000	-	25,000
Total expenditures	<u>9,683,829</u>	<u>827,205</u>	<u>301,215</u>	<u>1,442,486</u>	<u>12,254,735</u>
Excess (deficiency) of revenues over (under) expenditures	(40,050)	(52,026)	64,502	(727,622)	(755,196)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	-	5,000,000	-	5,000,000
Transfers in	-	-	167,501	1,003,076	1,170,577
Transfers out	(554,501)	-	(616,076)	-	(1,170,577)
Total other financing sources and uses	<u>(554,501)</u>	<u>-</u>	<u>4,551,425</u>	<u>1,003,076</u>	<u>5,000,000</u>
Net change in fund balances	(594,551)	(52,026)	4,615,927	275,454	4,244,804
Fund balances, beginning, as previously reported	7,314,406	(157,777)	3,800,182	543,639	11,500,450
Prior period adjustment	-	(50,044)	-	-	(50,044)
Fund balances, beginning as restated	<u>7,314,406</u>	<u>(207,821)</u>	<u>3,800,182</u>	<u>543,639</u>	<u>11,450,406</u>
Fund balances - ending	<u>\$ 6,719,855</u>	<u>\$ (259,847)</u>	<u>\$ 8,416,109</u>	<u>\$ 819,093</u>	<u>\$ 15,695,210</u>

The accompanying notes are an integral part of the financial statements.



# CITY OF MILLINGTON, TENNESSEE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

---

Amounts reported for governmental activities in the statement of net activities  
are different because:

Net change in fund balance - total governmental funds	\$ 4,244,804
---	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and losses on retirement exceeded capital outlays in the current period.

	(290,540)
--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

	(52,644)
--	----------

The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.

	<u>(4,431,639)</u>
--	--------------------

Change in net assets of governmental funds	<u>\$ (530,019)</u>
--	---------------------

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,192,600	\$ 6,192,600	\$ 6,036,013	\$ (156,587)
Licenses and permits	406,600	406,600	312,869	(93,731)
Intergovernmental	2,149,900	2,149,900	2,022,380	(127,520)
Charges for services	576,100	576,100	485,386	(90,714)
Fines, forfeitures, and penalties	1,000,500	1,000,500	504,716	(495,784)
Interest on investments	284,000	284,000	104,268	(179,732)
Other	130,600	130,600	178,147	47,547
 Total revenues	 10,740,300	 10,740,300	 9,643,779	 (1,096,521)
<b>EXPENDITURES</b>				
General government	2,086,700	2,086,700	1,914,036	172,664
Public safety				
Police department	3,127,500	3,127,500	3,075,284	52,216
Fire department	3,488,600	3,488,600	3,126,272	362,328
Community services				
Recreation department	756,600	756,600	715,966	40,634
Baker Community Center and Civic Center	232,400	232,400	269,150	(36,750)
Transportation and environment	660,800	660,800	583,121	77,679
 Total expenditures	 10,352,600	 10,352,600	 9,683,829	 668,771
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	 387,700	 387,700	 (40,050)	 (427,750)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(387,700)	(387,700)	(554,501)	(166,801)
 Net change in fund balances	 \$ -	 \$ -	 (594,551)	 \$ (594,551)
 Fund balances - beginning of year			 7,314,406	
 Fund balances - end of year			 \$ 6,719,855	

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SANITATION FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>SANITATION FUND</b>				
Revenues:				
Commercial fees	\$ 232,600	\$ 232,600	\$ 190,432	\$ (42,168)
Residential fees	616,000	616,000	560,969	(55,031)
Interest on investments	11,000	11,000	2,643	(8,357)
Other	30,100	30,100	21,135	(8,965)
Total revenues	889,700	889,700	775,179	(114,521)
Expenditures:				
Salaries	425,900	425,900	436,702	(10,802)
Insurance	120,600	120,600	95,208	25,392
Payroll taxes	29,700	29,700	28,837	863
Retirement	50,900	50,900	49,129	1,771
Gas and oil	69,300	69,300	49,480	19,820
Sanitation disposal fees	55,000	55,000	67,770	(12,770)
Repairs and maintenance	65,100	65,100	76,804	(11,704)
Administrative and other	13,200	13,200	23,275	(10,075)
Capital outlays	-	-	-	-
Total expenditures	829,700	829,700	827,205	2,495
Net change in fund balance	\$ 60,000	\$ 60,000	(52,026)	\$ (112,026)
Fund balance - beginning, as previously reported			(157,777)	
Prior period adjustment			(50,044)	
Fund balance - beginning, as restated			(207,821)	
Fund balance - ending			\$ (259,847)	

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2009

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 456,003	\$ 524,419	\$ 980,422
Receivables			
Customers	243,842	94,025	337,867
Interest	87	237	324
Less allowance for doubtful accounts	(42,012)	(27,243)	(69,255)
Prepaid expenses	17,953	6,445	24,398
Due from other funds	31,403	604,968	636,371
Due from other governments	-	54,658	54,658
Total current assets	<u>707,276</u>	<u>1,257,509</u>	<u>1,964,785</u>
Noncurrent assets:			
Restricted cash	405	245	650
Capital assets:			
Land	2,407	724,542	726,949
Buildings and improvements	11,102,564	13,587,760	24,690,324
Furnishings and equipment	754,317	2,933,273	3,687,590
Vehicles	159,994	281,268	441,262
Less accumulated depreciation	(4,154,779)	(8,588,345)	(12,743,124)
Total capital assets	<u>7,864,503</u>	<u>8,938,498</u>	<u>16,803,001</u>
Total noncurrent assets	<u>7,864,908</u>	<u>8,938,743</u>	<u>16,803,651</u>
Total assets	<u>8,572,184</u>	<u>10,196,252</u>	<u>18,768,436</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,725	4,600	11,325
Accrued expenses	83,932	59,752	143,684
Due to other funds	4,206,618	9,434	4,216,052
Customer deposits	405	245	650
Total current liabilities	<u>4,297,680</u>	<u>74,031</u>	<u>4,371,711</u>
<b>NET ASSETS</b>			
Invested in capital assets	7,864,503	8,938,498	16,803,001
Unrestricted	(3,589,999)	1,183,723	(2,406,276)
Total net assets	<u>\$ 4,274,504</u>	<u>\$ 10,122,221</u>	<u>\$ 14,396,725</u>

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Total Proprietary Funds
Operating revenues:			
Metered water sales	\$ 928,033	\$ -	\$ 928,033
Sewer service fee	-	1,114,284	1,114,284
Service connections fees	3,875	3,875	7,750
Forfeited discounts	14,138	12,265	26,403
Other	15,819	-	15,819
Total operating revenues	<u>961,865</u>	<u>1,130,424</u>	<u>2,092,289</u>
Operating expenses:			
Administrative and general	72,353	70,991	143,344
Pumping and filtering	463,000	705,561	1,168,561
Distribution system	222,261	171,945	394,206
Depreciation	310,904	415,534	726,438
Total operating expenses	<u>1,068,518</u>	<u>1,364,031</u>	<u>2,432,549</u>
Operating income (loss)	(106,653)	(233,607)	(340,260)
Nonoperating revenues (expenses):			
Interest income	6,308	11,301	17,609
Interest and agent fee expense	(19,958)	-	(19,958)
Total non-operating revenues (expenses)	<u>(13,650)</u>	<u>11,301</u>	<u>(2,349)</u>
Income (loss) before contributions	(120,303)	(222,306)	(342,609)
Capital contributions - tap fees	6,150	2,600	8,750
Capital contributions - development fees	-	1,000	1,000
Change in net assets	(114,153)	(218,706)	(332,859)
Total net assets - beginning	<u>4,388,657</u>	<u>10,340,927</u>	<u>14,729,584</u>
Total net assets - ending	<u>\$ 4,274,504</u>	<u>\$ 10,122,221</u>	<u>\$ 14,396,725</u>

The accompanying notes are an integral part of the financial statements.

# CITY OF MILLINGTON, TENNESSEE

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Water Fund	Sewer Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 853,600	\$ 1,154,778	\$ 2,008,378
Payments to suppliers	(356,816)	(442,306)	(799,122)
Payments to employees	(403,636)	(578,013)	(981,649)
Other receipts (payments)	15,819	-	15,819
Net cash provided (used) by operating activities	<u>108,967</u>	<u>134,459</u>	<u>243,426</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Advances from other funds	34,436	(2,479)	31,957
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	6,150	3,600	9,750
Acquisition and construction of capital assets	-	(366,424)	(366,424)
Net cash provided (used) by capital and related financing activities	<u>6,150</u>	<u>(362,824)</u>	<u>(356,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income received	<u>6,440</u>	<u>11,604</u>	<u>18,044</u>
Net increase (decrease) in cash and cash equivalents	155,993	(219,240)	(63,247)
Cash and cash equivalents - beginning of the year	<u>300,010</u>	<u>743,659</u>	<u>1,043,669</u>
Cash and cash equivalents - end of the year	<u><u>\$ 456,003</u></u>	<u><u>\$ 524,419</u></u>	<u><u>\$ 980,422</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (106,653)	\$ (233,607)	\$ (340,260)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	310,904	415,534	726,438
Change in assets and liabilities			
Receivables			
Customers	(92,446)	35,569	(56,877)
Prepaid expenses	(3,252)	(4,983)	(8,235)
Due from other governments	-	(11,215)	(11,215)
Accounts payable	(15,547)	(23,000)	(38,547)
Accrued expenses	15,961	(43,839)	(27,878)
Net cash used by operating activities	<u><u>\$ 108,967</u></u>	<u><u>\$ 134,459</u></u>	<u><u>\$ 243,426</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MILLINGTON, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

---

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Millington, Tennessee (the City) was incorporated in 1903 and operates under a City Charter enacted in 1903 with various amendments ending in 1977. The City operates under a Mayor and Alderman form of government and provides the following services as authorized by its charter: public health and safety, streets, sanitation, water and sewage, recreation and general administrative services.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. However, currently there are no component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in the General Fund.

The Capital Improvements Fund accounts for the financing of major governmental fund capital asset purchases.

The Sanitation Fund accounts for the receipts and expenditures related to sanitation services.

The City reports the following non-major governmental funds:

The State Street Aid Fund accounts for the receipts and expenditures of the City's share of the proceeds from the state gasoline tax.

The Gas Inspection Fee fund accounts for the receipts and expenditures of the City's share of proceeds from the gasoline inspection fees collected by the State of Tennessee.

The Drug Fund accounts for the receipts and expenditures related to the City's share of proceeds from state imposed drug fines and confiscations.



The DEA Drug Fund accounts for the receipts and expenditures related to the City's share of proceeds from federal imposed drug fines and confiscations.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Storm Water Fund accounts for the receipts and expenditures related to the collection, transportation, treatment and disposition of storm water.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's production, storage and transportation of potable water.

The Sewer Fund accounts for the activities of the City's collection, transportation, treatment and disposition of wastewater.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government – wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **D - Assets, liabilities and fund equity**

### *1. Deposits and investments*

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments are reported at fair value. The state investment pool operates in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

### *2. Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are levied in October of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on February 28. Penalties and interest are assessed on unpaid property taxes after the delinquent date they are paid or the property is sold as authorized by law.

### *3. Inventories and prepaid items*

Inventories are valued at cost (first-in, first-out). Inventory in all funds consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### *4. Restricted assets*

Certain cash and cash equivalents of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and/or their use is limited by certain agreements and contracts with third parties. Restricted balances include escrow for construction contractors established to fund retainages of outstanding construction projects, customer deposits for water and sewer services and outstanding court bonds payable.

## 5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years for property, plant and equipment. Capital assets for infrastructure are defined as those assets with an initial individual cost of more than \$100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received. Infrastructure assets purchased or received prior to July 1, 2003 have not been recorded.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Roads and bridges	50 years
Buildings and building improvements	15-50 years
Land improvements	20 years
Machinery, equipment and heavy vehicles	7-10 years
Automobiles	5 years

## 6. *Compensated absences*

Accumulated unpaid vacation is accrued when incurred in all funds. Employees earn ten or more days of vacation each year depending on length of service. Vacation leave is to be taken following the period in which it is earned and up to one year's vacation may be carried forward into the next year.

Upon retirement, unused sick leave will not be paid but will be credited toward service years in calculating pension benefits.

## 7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

## 8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 9. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$11,319,671 difference are as follows:

Governmental funds capital assets	\$ 17,135,387
Less: accumulated depreciation	<u>(5,815,716)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental funds	<u>\$ 11,319,671</u>

Another element of that reconciliation explains that "long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$7,291,255 difference are as follows:

Bonds payable	(7,316,255)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	<u>25,000</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (7,291,255)</u>

## **B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the \$290,540 difference are as follows:

Capital outlay	\$ 361,131
Depreciation expense	(599,786)
Loss on disposal of capital assets	<u>(51,885)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (290,540)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities" The details of the \$4,431,639 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (5,000,000)
Bond issuance costs	25,000
Principal repayment on bonds payable	<u>543,361</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (4,431,639)</u>

## **NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary information**

The Board of Mayor and Aldermen annually approves the operating budgets for all governmental funds except the capital projects fund.

The City Finance Director is required by charter to present to the Board of Mayor and Alderman a preliminary budget for the upcoming fiscal year by May 15<sup>th</sup>. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and Aldermen must pass the preliminary budget on three readings before it is adopted and becomes the approved spending plan for the City.

The City Finance Director has the authority to transfer the unused portion of any item within the same department. Any revisions that alter the total expenditures of any fund must be approved by the Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by the Board of Mayor and Aldermen through the adoption of appropriate ordinances during the year.

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, certain special revenue funds, debt service fund, proprietary funds, and the self-insurance fund. Budgets for the capital projects funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by project.

#### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2009, no funds' expenditures exceeded appropriations.

#### **C. Budgetary basis of accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

#### **D. Deficit fund equity**

As of June 30, 2009, the state street aid fund had a deficit fund balance of \$24,635 and the sanitation fund had a deficit fund balance of \$259,847.

### **NOTE 4 - DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and investments**

At year end, the City's carrying amount of deposits was \$12,357,542 and the bank balance was \$12,652,169. Of the bank balance, \$750,000 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$11,902,169 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States of America or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States of America or its agencies as the underlying securities, state pooled investment funds, money market mutual funds, and mortgage-backed securities. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurances and (2) securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase agreement. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month. City deposit policies follow the State statutes.

Investments are recorded at fair value as determined by quoted market prices. At year end, the investment consists of a zero coupon U.S. Treasury bill with a fair value of \$526,895, maturity date of February 15, 2010 and stated interest of 3.5%. Investments are held by the City's agent in the City's name.

## B. Receivables

Receivables as of year-end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for the uncollectible accounts, are as follows:

	General Fund	Sanitation Fund	Capital Projects	Water Fund	Sewer Fund	Non-major Funds	Total
Receivables:							
Taxes	\$ 2,481,810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,481,810
Interest	1,263	39	6,751	87	237	85	8,462
Accounts receivable	-	95,623	-	243,842	94,025	-	433,490
Other	28,637	-	-	-	-	-	28,637
Gross receivables	2,511,710	95,662	6,751	243,929	94,262	85	2,952,399
Less: allowance for doubtful accounts	(174,829)	(53,117)	-	(42,012)	(27,243)	(6,389)	(303,590)
Net total receivables	<u>\$ 2,336,881</u>	<u>\$ 42,545</u>	<u>\$ 6,751</u>	<u>\$ 201,917</u>	<u>\$ 67,019</u>	<u>\$ (6,304)</u>	<u>\$ 2,648,809</u>

Property tax revenues in the general fund are reported net of uncollectible amounts. The allowance for uncollectible property taxes increased for the current year resulting in a decrease in reported revenues of \$13,260.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, deferred revenue of \$2,235,460 for property taxes receivable and \$25,710 for other deferred receivables was reported in governmental funds.

Deferred revenues included in property taxes receivable result primarily from the pro-rata share of 2009 property taxes which are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

## C. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,120,704	\$ -	\$ -	\$ 5,120,704
Construction in progress	85,610	268,627	(354,237)	-
Total capital assets, not being depreciated	5,206,314	268,627	(354,237)	5,120,704
Capital assets, being depreciated:				
Buildings and improvements	6,985,365	381,006	-	7,366,371
Furnishings and equipment	899,736	7,341	-	907,077
Vehicles	4,111,906	58,394	(429,065)	3,741,235
Total capital assets, being depreciated	11,997,007	446,741	(429,065)	12,014,683
Less accumulated depreciation for:				
Buildings and improvements	(2,625,502)	(212,919)	-	(2,838,421)
Furnishings and equipment	(607,717)	(72,207)	-	(679,924)
Vehicles	(2,359,891)	(314,660)	377,180	(2,297,371)
Total accumulated depreciation	(5,593,110)	(599,786)	377,180	(5,815,716)
Total capital assets, being depreciated, net	6,403,897	(153,045)	(51,885)	6,198,967
Governmental activities capital assets, net	<u>\$ 11,610,211</u>	<u>\$ 115,582</u>	<u>\$ (406,122)</u>	<u>\$ 11,319,671</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activity:</b>				
Capital assets, not being depreciated:				
Land	\$ 726,949	\$ -	\$ -	\$ 726,949
Total capital assets, not being depreciated	726,949	-	-	726,949
Capital assets, being depreciated:				
Buildings and improvements	24,550,815	139,509	-	24,690,324
Furnishings and equipment	3,460,675	226,915	-	3,687,590
Vehicles	441,262	-	-	441,262
Total capital assets, being depreciated	28,452,752	366,424	-	28,819,176
Less accumulated depreciation for:				
Buildings and improvements	(8,828,580)	(579,464)	-	(9,408,044)
Furnishings and equipment	(2,840,512)	(123,547)	-	(2,964,059)
Vehicles	(347,594)	(23,427)	-	(371,021)
Total accumulated depreciation	(12,016,686)	(726,438)	-	(12,743,124)
Total capital assets, being depreciated, net	16,436,066	(360,014)	-	16,076,052
Business-type activity capital assets, net	<u>\$ 17,163,015</u>	<u>\$ (360,014)</u>	<u>\$ -</u>	<u>\$ 16,803,001</u>



Depreciation expense was charged to function / programs of the primary government as follows:

Governmental Activities:

General government	\$ 48,487
Public safety	260,769
Community services	94,456
Transportation and environment	196,074
Total depreciation expense - governmental activities	<u>\$ 599,786</u>

Business-Type Activities:

Water	\$ 310,904
Sewer	415,534
Total depreciation expense - business-type activities	<u>\$ 726,438</u>

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2009, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 96,620
	Water	114,624
	Sewer	2,994
	Sanitation	446,625
	Capital projects	770,999
		<u>\$ 1,431,862</u>
Capital projects	Water	\$ 4,091,994
	Nonmajor governmental	26,275
		<u>\$ 4,118,269</u>
Sanitation	Nonmajor governmental	\$ 102
		<u>\$ 102</u>
Nonmajor governmental	General	166,567
	Nonmajor governmental	5,376
		<u>\$ 171,943</u>
Water	Sanitation	21,915
	Sewer	6,440
	Nonmajor governmental	3,048
		<u>\$ 31,403</u>
Sewer	Capital projects	\$ 604,968
		<u>\$ 604,968</u>

The outstanding balances between funds include working capital loans made to proprietary funds that the capital projects fund expects to collect in a subsequent year. Other outstanding balances result from the time lag between the dates reimbursable expenditures occur and payments between funds are made.

**Interfund transfers:**

Transfer out:	Transfer in:			Total
	Capital Improvements Fund	Nonmajor Governmental - State Street Aid	Nonmajor Governmental - Debt Service	
General fund	\$ 167,501	\$ 387,000	\$ -	\$ 554,501
Capital projects	-	-	616,076	616,076
Total transfers out	\$ 167,501	\$ 387,000	\$ 616,076	\$ 1,170,577

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

## E. Long Term Debt

### *General obligation loans payable*

In fiscal 1997, the City entered into a 15 year loan agreement to borrow \$3,500,000 from the Public Building Authority of the City of Clarksville, Tennessee ("Clarksville PBA") through the Tennessee Municipal League (the "League"). The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. The average interest rate on this loan for 2009 was 2.63%.

In November 2000, the City entered into a 15 year loan agreement to borrow \$1,800,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. The average interest rate on this loan for 2009 was 2.02%.

In June 2009, the City entered into a 2 year loan agreement to borrow \$5,000,000 from Bank of America, N.A. The principal on this loan is due on June 1, 2011 while the interest is paid semi-annually at an interest rate of 2.79%.

### *Other Long-term Liabilities*

In March 2000, the City entered into a 15 year agreement with the YMCA. The agreement calls for the City to pay \$150,000 per year for 15 years and obligated the YMCA to build a complex in the City for the use of City residents. An incremental borrowing rate of 4% has been imputed on the balance.

### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance -</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Notes payable	\$ 2,859,616	\$ 5,000,000	\$ (543,361)	\$ 7,316,255	\$ 571,547
Less deferred amounts:					
For issuance costs	-	(25,000)	-	(25,000)	-
Total notes payable	<u>\$ 2,859,616</u>	<u>\$ 4,975,000</u>	<u>\$ (543,361)</u>	<u>\$ 7,291,255</u>	<u>\$ 571,547</u>

Annual debt service requirements to maturity based on current interest rates are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 571,547	\$ 169,276	\$ 740,823
2011	5,599,727	171,879	5,771,606
2012	282,411	22,943	305,354
2013	294,805	16,304	311,109
2014	308,420	9,385	317,805
Thereafter	259,345	2,591	261,936
	<u>\$ 7,316,255</u>	<u>\$ 392,378</u>	<u>\$ 7,708,633</u>

## NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

### A. Plan Description

Employees of Millington are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Millington participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/).

## B. Funding Policy

Millington has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

Millington is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 11.92% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Millington is established and may be amended by the TCRS Board of Trustees.

## C. Annual Pension Cost

For the year ending June 30, 2009, Millington's annual pension cost of \$778,205 to TCRS was equal to Millington's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five year period. Millington's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

## D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Following is a summary of the three-year trend for the years ended June 30:

Fiscal Year Ending	Trend Information		
	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 778,205	100%	\$ -
June 30, 2008	\$ 852,264	100%	\$ -
June 30, 2007	\$ 810,340	100%	\$ -

## E. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 90.02% funded. The actuarial accrued liability for benefits was \$16.03 million, and the actuarial value of assets was \$14.43 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.60 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6 million, and the ratio of the UAAL to the covered payroll was 26.45%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method of that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

### Required Supplementary Information Schedule of Funding Progress for Millington

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2007	\$ 14,439,000	\$ 16,039,000	\$ 1,600,000	90.02%	\$ 6,050,000	26.45%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

## NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has contracted with the Shelby County Trustee to collect real and personal property taxes on behalf of the City. A 2.5% commission is paid to the Trustee plus half of the salary, fringe benefits, and authorized expenses of one full time employee of the Trustee. Collection fees paid to the Trustee totaled \$71,456 for the year ended June 30, 2009.

The City has entered into lease agreements with various governmental units and organizations. The terms of these leases vary and require only nominal token payments, if any. Annual lease payments are not material.

Under the terms of service agreements with the Navy Base and Shelby County, the City provides service from the sewer treatment plant at a cost of \$1.25 per thousand gallons.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Several lawsuits against the City are ongoing. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying general purpose financial statements.

The City is a common paymaster for the Millington Municipal Airport Authority and Millington Industrial Development Board. This arrangement allows these employees to participate in all City employee benefits such as retirement, health insurance, etc. The City is reimbursed for all disbursements by the respective entities.

#### **NOTE 7 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years.

#### **NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

In addition to the pension benefits described in Note 5, the City provides post-retirement health care benefits to all employees who retire from the City under the provisions of the TCRS. Benefit provisions and contribution obligations have been established by the City in conjunction with the TCRS. The City provides certain healthcare and life insurance coverage at nominal cost to retirees. Currently, 31 employees are eligible for post-retirement benefits. Expenses for post-retirement healthcare benefits are recognized when premiums are due. Expenses for the year ended June 30, 2009 were \$80,497.

#### **NOTE 9 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan must hold all assets for the benefit of participants and their beneficiaries. The plan assets remain the property of the City until paid, subject only to claims of the City's general creditors.

## **NOTE 10 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE**

The Governmental Accounting Standards Board (GASB) has issued a pronouncement that has an effective date that may impact future financial presentations.

Management has not currently determined what, if any, effect implementation of the following statement may have on the financial statements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

## **NOTE 11 – PRIOR PERIOD ADJUSTMENT**

The beginning fund balance for the sanitation fund has been reduced by \$50,044. The adjustment resulted from an overstatement of the accounts receivable.

# CITY OF MILLINGTON, TENNESSEE

## SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>TAXES</b>				
Property taxes	\$ 1,891,600	\$ 1,891,600	\$ 1,944,038	\$ 52,438
Beer tax	405,000	405,000	444,471	39,471
Business and personalty tax	506,100	506,100	415,238	(90,862)
Local sales tax	3,346,800	3,346,800	3,178,357	(168,443)
Hotel/Motel tax	-	-	7,693	7,693
Interest and penalties	23,100	23,100	20,754	(2,346)
CATV franchise tax	20,000	20,000	25,462	5,462
<b>Total taxes</b>	<b>6,192,600</b>	<b>6,192,600</b>	<b>6,036,013</b>	<b>(156,587)</b>
<b>LICENSES AND PERMITS</b>				
Automobile stickers	206,000	206,000	186,365	(19,635)
Building and related permits	113,000	113,000	51,781	(61,219)
Planning and subdivision fees	13,100	13,100	2,800	(10,300)
Beer application and solicitors	2,400	2,400	3,495	1,095
Clerk fees	5,600	5,600	3,165	(2,435)
Liquor permits	2,500	2,500	5,950	3,450
Liquor inspection fee	64,000	64,000	59,313	(4,687)
<b>Total licenses and permits</b>	<b>406,600</b>	<b>406,600</b>	<b>312,869</b>	<b>(93,731)</b>
<b>INTERGOVERNMENTAL</b>				
State of Tennessee shared taxes				
Sales tax	793,000	793,000	683,186	(109,814)
Beer tax	5,400	5,400	5,442	42
Income tax	33,800	33,800	29,220	(4,580)
Excise tax	20,000	20,000	17,580	(2,420)
Mixed drinks tax	30,000	30,000	24,898	(5,102)
Telecommunications sales tax	1,500	1,500	1,218	(282)
Receipts in lieu of tax - TVA	100,000	100,000	100,049	49
Receipts in lieu of tax -				
Millington Housing Authority	19,500	19,500	41,094	21,594
Receipts in lieu of tax - MLGW	94,000	94,000	81,050	(12,950)
Shelby County - Fire	1,048,000	1,048,000	1,033,948	(14,052)
Shelby County - "911"	4,700	4,700	4,695	(5)
<b>Total intergovernmental</b>	<b>2,149,900</b>	<b>2,149,900</b>	<b>2,022,380</b>	<b>(127,520)</b>



**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CHARGES FOR SERVICES</b>				
Airport authority fire protection	435,600	435,600	343,071	(92,529)
Recreation	<u>140,500</u>	<u>140,500</u>	<u>142,315</u>	<u>1,815</u>
Total charges for services	<u>576,100</u>	<u>576,100</u>	<u>485,386</u>	<u>(90,714)</u>
<b>FINES FORFEITURES AND PENALTIES</b>				
City court fines	<u>1,000,500</u>	<u>1,000,500</u>	<u>504,716</u>	<u>(495,784)</u>
<b>INTEREST ON INVESTMENTS</b>	<u>284,000</u>	<u>284,000</u>	<u>104,268</u>	<u>(179,732)</u>
<b>OTHER</b>	<u>130,600</u>	<u>130,600</u>	<u>178,147</u>	<u>47,547</u>
<b>TOTAL GENERAL FUND REVENUES</b>	<u><u>\$ 10,740,300</u></u>	<u><u>\$ 10,740,300</u></u>	<u><u>\$ 9,643,779</u></u>	<u><u>\$ (1,096,521)</u></u>

# CITY OF MILLINGTON, TENNESSEE

## SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>GENERAL GOVERNMENT</b>				
General and Administrative Salaries				
Office personnel	\$ 278,400	\$ 278,400	\$ 333,246	\$ (54,846)
Officials	143,800	143,800	82,982	60,818
City judge	40,000	40,000	41,152	(1,152)
City prosecutor	16,000	16,000	15,996	4
Court personnel	98,700	98,700	97,323	1,377
Building inspector and code enforcement	233,600	233,600	184,268	49,332
Advertising	7,700	7,700	4,911	2,789
Air conditioning	5,000	5,000	13,967	(8,967)
Airport Authority	135,000	135,000	67,500	67,500
Chamber of Commerce	24,300	24,300	22,500	1,800
Compensation study	-	-	1,800	(1,800)
Contract labor	4,000	4,000	3,972	28
Engineering	25,000	25,000	3,905	21,095
Inspection	19,000	19,000	8,121	10,879
Insurance	118,200	118,200	103,711	14,489
Legal and professional	181,500	181,500	242,763	(61,263)
Library	269,000	269,000	272,762	(3,762)
Maintenance	42,400	42,400	62,116	(19,716)
Membership	14,200	14,200	10,440	3,760
Office supplies	14,300	14,300	15,205	(905)
Payroll taxes	60,000	60,000	54,843	5,157
Physical and medical	1,200	1,200	1,315	(115)
Public relations	26,200	26,200	21,168	5,032
Publications and flags	6,200	6,200	5,579	621
Repairs and maintenance	25,000	25,000	23,058	1,942
Retirement	95,500	95,500	84,736	10,764
Supplies	70,200	70,200	33,253	36,947
Telephone	29,500	29,500	27,435	2,065
Travel and training	28,400	28,400	11,084	17,316
Utilities	25,600	25,600	22,942	2,658
Administrative and other	48,800	48,800	39,983	8,817
Total general government	2,086,700	2,086,700	1,914,036	172,664

# CITY OF MILLINGTON, TENNESSEE

## SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>PUBLIC SAFETY</b>				
Police Department				
Salaries and wages	\$ 1,994,700	\$ 1,994,700	\$ 1,964,613	\$ 30,087
Payroll taxes	151,300	151,300	152,816	(1,516)
Insurance	340,100	340,100	360,683	(20,583)
Retirement	233,300	233,300	225,094	8,206
Telephone and utilities	51,000	51,000	55,090	(4,090)
Education and training	20,000	20,000	22,208	(2,208)
Medical	6,000	6,000	11,663	(5,663)
Repairs and maintenance	78,400	78,400	83,516	(5,116)
Supplies and other	53,400	53,400	45,090	8,310
Gas and oil	161,800	161,800	93,454	68,346
Uniforms	25,000	25,000	29,094	(4,094)
Jail expense	12,000	12,000	11,402	598
Recruiting	500	500	-	500
Capital outlay - equipment purchases	-	-	20,561	(20,561)
Total police department	3,127,500	3,127,500	3,075,284	52,216
Fire Department				
Salaries and wages	1,915,900	1,915,900	1,807,776	108,124
Payroll taxes	146,100	146,100	132,841	13,259
Insurance	345,600	345,600	314,990	30,610
Retirement	223,300	223,300	204,994	18,306
Ambulance service	400,500	400,500	400,479	21
Telephone and utilities	82,000	82,000	63,872	18,128
Education and training	27,000	27,000	23,313	3,687
Medical	5,500	5,500	5,069	431
Repairs and maintenance	173,500	173,500	85,918	87,582
Supplies and other	80,600	80,600	39,709	40,891
Gas and oil	36,600	36,600	28,667	7,933
Uniforms	18,000	18,000	12,072	5,928
Volunteer	4,000	4,000	4,000	-
Fire hose	3,000	3,000	2,572	428
Capital outlay - equipment purchases	27,000	27,000	-	27,000
Total fire department	3,488,600	3,488,600	3,126,272	362,328
Total public safety	6,616,100	6,616,100	6,201,556	414,544

# CITY OF MILLINGTON, TENNESSEE

## SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>COMMUNITY SERVICES</b>				
Recreation Department				
Operating Expenditures				
Salaries and wages	437,200	437,200	408,400	28,800
Payroll taxes	53,800	53,800	53,259	541
Insurance	73,800	73,800	51,888	21,912
Retirement	42,900	42,900	35,284	7,616
Telephone	9,100	9,100	9,702	(602)
Education and training	5,000	5,000	799	4,201
Utilities	20,000	20,000	30,069	(10,069)
Supplies and other	26,700	26,700	48,851	(22,151)
Medical	800	800	1,163	(363)
Repairs and maintenance	47,900	47,900	28,591	19,309
Playground supplies	7,400	7,400	5,050	2,350
Gas and oil	25,200	25,200	13,781	11,419
Uniforms	3,500	3,500	7,777	(4,277)
Trophies	3,300	3,300	1,552	1,748
Capital outlay - equipment purchases	-	-	19,800	(19,800)
Total recreation department	756,600	756,600	715,966	40,634
Baker Community Center and Civic Center				
Operating Expenditures				
Salaries and wages	27,500	27,500	33,734	(6,234)
Payroll taxes	2,600	2,600	2,577	23
Insurance	10,400	10,400	10,579	(179)
Repairs and maintenance	45,100	45,100	40,690	4,410
Supplies	20,000	20,000	34,812	(14,812)
Utilities	92,300	92,300	114,302	(22,002)
Special Events	34,500	34,500	32,456	2,044
Total Baker Community Center and Civic Center	232,400	232,400	269,150	(36,750)
Total community services	989,000	989,000	985,116	3,884

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>TRANSPORTATION AND ENVIRONMENT</b>				
Public Works Department				
Operating expenditures				
Salaries and wages	350,100	350,100	343,624	6,476
Payroll taxes	25,100	25,100	24,935	165
Insurance	56,400	56,400	54,507	1,893
Repairs and maintenance	98,500	98,500	48,735	49,765
Retirement	41,700	41,700	39,925	1,775
Gas and oil	12,000	12,000	6,816	5,184
Medical	500	500	408	92
Office supplies	8,000	8,000	9,886	(1,886)
Supplies	29,500	29,500	12,458	17,042
Telephone	8,500	8,500	8,992	(492)
Training and travel	1,000	1,000	920	80
Uniforms	4,500	4,500	4,866	(366)
Utilities	20,000	20,000	17,122	2,878
Animal control	5,000	5,000	9,927	(4,927)
Total public works department	660,800	660,800	583,121	77,679
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$ 10,352,600</b>	<b>\$ 10,352,600</b>	<b>\$ 9,683,829</b>	<b>\$ 668,771</b>

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – CAPITAL IMPROVEMENTS FUND**

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
<b>CAPITAL IMPROVEMENTS FUND</b>				
Revenues:				
Federal, state and local grants	\$ -	\$ -	\$ 172,670	\$ 172,670
Interest on investments	20,600	20,600	41,879	21,279
Change in market value of investments	-	-	1,168	1,168
Other	150,000	150,000	150,000	-
Total revenues	<u>170,600</u>	<u>170,600</u>	<u>365,717</u>	<u>195,117</u>
Expenditures:				
Capital improvements	1,225,000	1,225,000	276,215	948,785
Debt service - bond issuance costs	-	-	25,000	(25,000)
Total expenditures	<u>1,225,000</u>	<u>1,225,000</u>	<u>301,215</u>	<u>923,785</u>
Excess (deficiency) of revenues over expenditures	(1,054,400)	(1,054,400)	64,502	1,118,902
Other financing sources (uses):				
Issuance of debt	-	-	5,000,000	5,000,000
Transfer in	-	-	167,501	167,501
Transfers out	(663,300)	(663,300)	(616,076)	47,224
Total other financing sources (uses)	<u>(663,300)</u>	<u>(663,300)</u>	<u>4,551,425</u>	<u>5,214,725</u>
Net change in fund balance	<u>\$ (1,717,700)</u>	<u>\$ (1,717,700)</u>	4,615,927	<u>\$ 6,333,627</u>
Fund balance - beginning			<u>3,800,182</u>	
Fund balance - ending			<u>\$ 8,416,109</u>	

**CITY OF MILLINGTON, TENNESSEE**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2009

	Special Revenue Funds						Total Nonmajor Governmental Funds
	State Street Aid Fund	Gas Inspection Fee Fund	Drug Fund	DEA Drug Fund	Storm Water Fund	Debt Service Fund	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 76,020	\$ -	\$ 54,237	\$ 70,261	\$ 565,996	\$ -	\$ 766,514
Receivables, net							
Accounts	-	-	-	-	-	-	-
Interest	-	-	-	2	83	-	85
Less allowance	-	-	-	-	(6,389)	-	(6,389)
Due from other funds	-	164,688	-	7,255	-	-	171,943
Due from other governments	49,916	-	-	8,546	-	-	58,462
Prepays and other assets	6,801	-	-	-	731	-	7,532
<b>Total assets</b>	<u>\$ 132,737</u>	<u>\$ 164,688</u>	<u>\$ 54,237</u>	<u>\$ 86,064</u>	<u>\$ 560,421</u>	<u>\$ -</u>	<u>\$ 998,147</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 2,918	\$ -	\$ 122	\$ 225	\$ 445	\$ -	\$ 3,710
Accrued payroll and vacation	36,075	-	-	-	4,821	-	40,896
Deferred revenue	-	-	-	3,027	-	-	3,027
Due to other funds	118,379	-	5,376	-	7,666	-	131,421
<b>Total liabilities</b>	<u>157,372</u>	<u>-</u>	<u>5,498</u>	<u>3,252</u>	<u>12,932</u>	<u>-</u>	<u>179,054</u>
Fund balances:							
Reserved	-	-	48,739	82,812	-	-	131,551
Unreserved	(24,635)	164,688	-	-	547,489	-	687,542
<b>Total fund balances</b>	<u>(24,635)</u>	<u>164,688</u>	<u>48,739</u>	<u>82,812</u>	<u>547,489</u>	<u>-</u>	<u>819,093</u>
<b>Total liabilities and fund balances</b>	<u>\$ 132,737</u>	<u>\$ 164,688</u>	<u>\$ 54,237</u>	<u>\$ 86,064</u>	<u>\$ 560,421</u>	<u>\$ -</u>	<u>\$ 998,147</u>

**CITY OF MILLINGTON, TENNESSEE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2009

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	State Street Aid Fund	Gasoline Inspection Fee Fund	Drug Fund	DEA Drug Fund	Storm Water Fund		
<b>REVENUES</b>							
State gasoline tax (local share)	\$ 275,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,055
Gasoline inspection fee (local share)	-	22,415	-	-	-	-	22,415
Federal grant	-	-	-	7,449	-	-	7,449
Fees	-	-	-	-	239,464	-	239,464
Interest on investments	273	-	103	275	6,626	-	7,277
Fines and confiscations	-	-	25,954	-	-	-	25,954
DEA federal shared proceeds	-	-	-	89,260	-	-	89,260
Other	-	-	43,713	461	3,816	-	47,990
Total revenues	275,328	22,415	69,770	97,445	249,906	-	714,864
<b>EXPENDITURES</b>							
Public Safety							
Drug abuse	-	-	35,050	-	-	-	35,050
DEA Drug	-	-	-	24,371	-	-	24,371
Transportation and Environment							
Street department	667,108	22,605	-	-	65,339	-	755,052
Street improvements	10,737	-	-	-	-	-	10,737
Capital outlays	-	-	-	1,200	-	-	1,200
Debt service - principal	-	-	-	-	-	543,361	543,361
Debt service - interest and fiscal charges	-	-	-	-	-	72,715	72,715
Total expenditures	677,845	22,605	35,050	25,571	65,339	616,076	1,442,486
Excess (deficiency) of revenues over expenditures	(402,517)	(190)	34,720	71,874	184,567	(616,076)	(727,622)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	387,000	-	-	-	-	616,076	1,003,076
Net change in fund balances	(15,517)	(190)	34,720	71,874	184,567	-	275,454
Fund balances - beginning	(9,118)	164,878	14,019	10,938	362,922	-	543,639
Fund balances - ending	\$ (24,635)	\$ 164,688	\$ 48,739	\$ 82,812	\$ 547,489	\$ -	\$ 819,093



**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>STATE STREET AID FUND</b>				
Revenues:				
State gasoline tax (local share)	\$ 313,000	\$ 313,000	\$ 275,055	\$ (37,945)
Interest on investments	-	-	273	273
Total revenues	<u>313,000</u>	<u>313,000</u>	<u>275,328</u>	<u>(37,672)</u>
Expenditures:				
Street Department				
Salaries	285,600	285,600	265,613	19,987
Insurance	82,300	82,300	81,623	677
Payroll taxes	20,500	20,500	17,074	3,426
Repairs and maintenance	43,000	43,000	40,138	2,862
Retirement	32,900	32,900	30,787	2,113
Street lights	170,000	170,000	177,734	(7,734)
Supplies	57,800	57,800	38,184	19,616
Uniforms	4,000	4,000	3,560	440
Other	4,600	4,600	12,395	(7,795)
Street improvements	-	-	10,737	(10,737)
Capital outlays	-	-	-	-
Total expenditures	<u>700,700</u>	<u>700,700</u>	<u>677,845</u>	<u>22,855</u>
Excess (deficiency) of revenues over expenditures	(387,700)	(387,700)	(402,517)	(14,817)
Other financing sources (uses):				
Transfers in	<u>387,700</u>	<u>387,700</u>	<u>387,000</u>	<u>(700)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(15,517)</u>	<u>\$ (15,517)</u>
Fund balance - beginning			(9,118)	
Fund balance - ending			<u>\$ (24,635)</u>	

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>GAS INSPECTION FEE FUND</b>				
Revenues:				
Gasoline inspection fee (local share)	\$ 22,800	\$ 22,800	\$ 22,415	\$ (385)
Expenditures:				
Street Department				
Repairs and maintenance	<u>22,800</u>	<u>22,800</u>	<u>22,605</u>	<u>195</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(190)	<u>\$ (190)</u>
Fund balance - beginning			<u>164,878</u>	
Fund balance - ending			<u>\$ 164,688</u>	

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>DRUG FUND</b>				
Revenues:				
Fines and confiscations	\$ 45,000	\$ 45,000	\$ 25,954	\$ (19,046)
Interest on investments	2,000	2,000	103	(1,897)
Other	25,000	25,000	43,713	18,713
Total revenues	<u>72,000</u>	<u>72,000</u>	<u>69,770</u>	<u>(2,230)</u>
Expenditures:				
Educational materials	4,000	4,000	3,404	596
Supplies and other	66,000	66,000	31,502	34,498
Telephone	2,000	2,000	144	1,856
Total expenditures	<u>72,000</u>	<u>72,000</u>	<u>35,050</u>	<u>36,950</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>34,720</u>	<u>34,720</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>34,720</u>	<u>\$ 34,720</u>
Fund balance - beginning			<u>14,019</u>	
Fund balance - ending			<u>\$ 48,739</u>	

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>DEA DRUG FUND</b>				
Revenues:				
DEA shared proceeds	\$ 101,600	\$ 101,600	\$ 89,260	\$ (12,340)
Federal grant	17,000	17,000	7,449	(9,551)
Interest on investments	5,000	5,000	275	(4,725)
Other	300	300	461	161
Total revenues	<u>123,900</u>	<u>123,900</u>	<u>97,445</u>	<u>(26,455)</u>
Expenditures:				
DEA overtime expenses	17,000	17,000	-	17,000
Supplies and other	106,900	106,900	24,371	82,529
Capital outlays	-	-	1,200	(1,200)
Total expenditures	<u>123,900</u>	<u>123,900</u>	<u>25,571</u>	<u>98,329</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	71,874	<u>\$ 71,874</u>
Fund balance - beginning			<u>10,938</u>	
Fund balance - ending			<u>\$ 82,812</u>	

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>STORM WATER FUND</b>				
Revenues:				
Commercial fees	\$ 196,800	\$ 196,800	\$ 159,168	\$ (37,632)
Residential fees	100,500	100,500	80,296	(20,204)
Interest on investments	10,000	10,000	6,626	(3,374)
Other	8,700	8,700	3,816	(4,884)
Total revenues	316,000	316,000	249,906	(66,094)
Expenditures:				
Salaries	36,400	36,400	37,525	(1,125)
Insurance	3,800	3,800	72	3,728
Payroll taxes	2,600	2,600	2,509	91
Retirement	4,400	4,400	4,446	(46)
Repairs and maintenance	220,100	220,100	5,853	214,247
Supplies	5,000	5,000	2,014	2,986
Administrative and other	30,700	30,700	12,920	17,780
Capital outlay	13,000	13,000	-	13,000
Total expenditures	316,000	316,000	65,339	250,661
Net change in fund balance	\$ -	\$ -	184,567	\$ 184,567
Fund balance - beginning			362,922	
Fund balance - ending			\$ 547,489	

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>DEBT SERVICE FUND</b>				
Expenditures:				
Principal retirement	\$ 543,400	\$ 543,400	\$ 543,361	\$ 39
Agents fees	4,100	4,100	3,303	797
Interest expense	115,800	115,800	69,412	46,388
Total expenditures	<u>663,300</u>	<u>663,300</u>	<u>616,076</u>	<u>47,224</u>
Other Financing Sources:				
Transfers in	<u>663,300</u>	<u>663,300</u>	<u>616,076</u>	<u>(47,224)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MILLINGTON, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2009

<u>CFDA Number</u>	<u>Grantor Agency</u>	<u>Balance June 30, 2008</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2009</u>
None in Current Fiscal Year					

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF SALARIES AND FIDELITY BONDS OF PRINCIPAL OFFICERS**

For the Year Ended June 30, 2009

	<u>Annual Salary</u>	<u>Amount of Bond</u>	<u>Surety</u>
Mayor	\$ 70,808	\$ 100,000	TML Risk Management
City Clerk	43,385	100,000	TML Risk Management
Account Clerk	24,936	100,000	TML Risk Management
City Court Clerk	32,032	100,000	TML Risk Management
Police Chief	62,816	100,000	TML Risk Management
Fire Chief	62,816	100,000	TML Risk Management



# CITY OF MILLINGTON, TENNESSEE

## SCHEDULE OF INSURANCE

June 30, 2009

Insurance Company	Property Covered	Type of Coverage	Coverage	Expires
TML Risk Management	7930 Nelson	Property	\$ 1,497,000	2/13/2010
TML Risk Management	8077 Wilkinsville Road	Property	\$ 7,011,000	2/13/2010
TML Risk Management	7942 Church Street	Property	\$ 1,376,000	2/13/2010
TML Risk Management	7926 Church Street	Property	\$ 6,601,900	2/13/2010
TML Risk Management	4836 Navy Road	Property	\$ 1,771,000	2/13/2010
TML Risk Management	6457 Navy Road	Property	\$ 351,000	2/13/2010
TML Risk Management	7265 Raleigh-Millington Road	Property	\$ 591,000	2/13/2010
TML Risk Management	4858 Navy Road	Property	\$ 2,098,000	2/13/2010
TML Risk Management	4701 Biloxi	Property	\$ 918,000	2/13/2010
TML Risk Management	7950 Memphis Rd	Property	\$ 4,414,000	2/13/2010
TML Risk Management		Sewer Plant	\$ 14,442,000	2/13/2010
		Water Plant		
		Water Treatment Plant	\$ 5,739,000	2/13/2010
TML Risk Management		General liability	\$ 1,000,000	
		Auto liability	1,000,000	
		Errors and omissions (public officials)	1,000,000	
		Police liability	1,000,000	2/13/2010
TML Risk Management		Workmen's compensation	1,000,000	
		(per occurrence)		2/13/2010
TML Risk Management		Employee dishonesty	100,000	2/13/2010

**CITY OF MILLINGTON, TENNESSEE**  
**GOVERNMENTAL FUNDS REVENUES BY SOURCE**

For the Last Ten Fiscal Years Ended June 30

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues</b>										
Local taxes	\$ 6,036,013	\$ 5,945,932	\$ 5,812,756	\$ 5,722,804	\$ 5,252,553	\$ 4,738,424	\$ 4,294,766	\$ 4,567,171	\$ 3,579,115	\$ 3,524,442
State taxes (local share)	2,319,850	2,184,958	1,929,801	1,518,384	1,160,520	1,290,071	1,502,277	1,740,899	1,924,576	1,911,122
Federal and state grants	180,119	161,624	39,754	89,150	250,743	236,027	314,291	9,461	9,212	176,391
Fines and forfeitures	619,930	663,055	706,943	375,089	342,517	195,092	174,063	225,940	187,439	205,334
Licenses, permits and fees	1,646,805	1,744,600	1,629,845	1,122,546	984,916	956,290	857,928	815,044	610,829	595,704
Interest on investments	156,067	361,304	476,430	420,477	313,033	332,647	667,086	711,008	953,431	876,505
Increase (decrease) in fair value of investments	1,168	26,323	10,322	(22,727)	(3,538)	(165,281)	(358,750)	(147,344)	3,844	(269,062)
Recreation	142,315	110,872	89,659	76,669	61,774	52,300	52,162	54,357	42,529	51,105
Other	397,272	369,820	388,255	631,286	573,257	613,572	1,492,653	601,266	633,079	479,694
<b>Total</b>	<b>11,499,539</b>	<b>11,568,488</b>	<b>11,083,765</b>	<b>9,933,678</b>	<b>8,935,775</b>	<b>8,249,142</b>	<b>8,996,476</b>	<b>8,577,802</b>	<b>7,944,054</b>	<b>7,551,235</b>
<b>Other Financing Sources</b>										
Loan proceeds	5,000,000	-	-	-	-	2,596,399	2,864,762	-	1,270,065	-
Operating transfers in	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	634,056	504,750	1,275,119
<b>Total revenues and other financing sources</b>	<b>\$ 17,670,116</b>	<b>\$ 12,789,119</b>	<b>\$ 12,137,425</b>	<b>\$ 10,833,884</b>	<b>\$ 14,508,156</b>	<b>\$ 11,946,588</b>	<b>\$ 12,738,072</b>	<b>\$ 9,211,858</b>	<b>\$ 9,718,869</b>	<b>\$ 8,826,354</b>

# CITY OF MILLINGTON, TENNESSEE

## GOVERNMENTAL FUNDS EXPENDITURES BY FUNCTION

For the Last Ten Fiscal Years Ended June 30

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General government	\$ 1,914,036	\$ 1,958,214	\$ 1,825,299	\$ 1,767,307	\$ 1,540,366	\$ 1,670,169	\$ 1,430,734	\$ 1,371,224	\$ 1,299,901	\$ 1,135,151
Public Safety										
Police	3,135,905	3,461,523	2,962,084	2,635,609	2,400,435	2,073,244	1,860,286	1,651,451	1,543,802	1,519,312
Fire	3,126,272	3,157,058	2,674,949	2,092,261	1,709,324	1,473,416	1,329,512	1,263,392	1,010,736	995,282
Total public safety	6,262,177	6,618,581	5,637,033	4,727,870	4,109,759	3,546,660	3,189,798	2,914,843	2,554,538	2,514,594
Community Services										
Recreation	715,966	819,612	705,379	636,819	687,980	716,733	653,267	645,376	603,099	554,215
Baker Community Center	269,150	204,168	157,561	145,542	119,011	47,470	41,039	44,947	43,226	42,446
Total community center	985,116	1,023,780	862,940	782,361	806,991	764,203	694,306	690,323	646,325	596,661
Transportation and Environment										
Public works	583,121	585,403	578,401	570,436	567,304	594,410	503,116	445,666	389,996	391,278
Sanitation	827,205	1,219,855	764,141	758,659	682,730	556,737	568,183	659,311	408,674	401,875
Highways and streets	765,789	785,327	675,986	641,280	598,980	504,205	540,359	608,053	866,978	1,153,063
Total transportation and environment	2,176,115	2,590,585	2,018,528	1,970,375	1,849,014	1,655,352	1,611,658	1,713,030	1,665,648	1,946,216
Special Projects										
Library roof	-	-	-	-	-	-	-	-	-	-
Base reuse	-	-	-	-	-	-	-	-	706	233,707
Total special projects	-	-	-	-	-	-	-	-	706	233,707
Capital projects	276,215	335,423	555,731	456,129	1,074,553	2,966,097	1,982,794	409,634	698,335	644,800
Debt service	641,076	639,631	653,660	629,006	5,347,381	736,281	415,334	39,156	342,866	318,607
Total expenditures	12,254,735	13,166,214	11,553,191	10,333,048	14,728,064	11,338,762	9,324,624	7,138,210	7,208,319	7,389,736
Other Financing Uses										
Operating transfers out	1,170,577	1,220,631	1,053,660	900,206	5,572,381	1,101,047	876,834	2,100,056	460,450	1,275,119
Total expenditures and other financing uses	\$ 13,425,312	\$ 14,386,845	\$ 12,606,851	\$ 11,233,254	\$ 20,300,445	\$ 12,439,809	\$ 10,201,458	\$ 9,238,266	\$ 7,668,769	\$ 8,664,855

**CITY OF MILLINGTON, TENNESSEE**  
**ANALYSIS OF TAX RATES AND ASSESSMENTS**

For the Last Ten Fiscal Years Ended June 30

	2009	2008	2007	2006	2005
Property tax rate	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>
Assessed Valuation					
Realty and personalty	\$ 174,747,779	\$ 155,641,650	\$ 139,290,570	\$ 132,991,630	\$ 112,662,855
Public utility	<u>9,357,031</u>	<u>8,534,562</u>	<u>8,178,224</u>	<u>7,210,450</u>	<u>7,247,640</u>
	<u>\$ 184,104,810</u>	<u>\$ 164,176,212</u>	<u>\$ 147,468,794</u>	<u>\$ 140,202,080</u>	<u>\$ 119,910,495</u>
	2004	2003	2002	2001	2000
Property tax rate	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 1.23</u>	<u>\$ 0.92</u>	<u>\$ 0.92</u>
Assessed Valuation					
Realty and personalty	\$ 100,752,280	\$ 99,118,613	\$ 97,669,246	\$ 81,389,432	\$ 81,484,400
Public utility	<u>7,247,640</u>	<u>8,046,676</u>	<u>11,443,391</u>	<u>10,993,107</u>	<u>11,350,502</u>
	<u>\$ 107,999,920</u>	<u>\$ 107,165,289</u>	<u>\$ 109,112,637</u>	<u>\$ 92,382,539</u>	<u>\$ 92,834,902</u>

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF WATER, SEWER AND SANITATION RATES**

June 30, 2009

---

**Water Rates:**

<u>Gallons Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 7.50
Each additional 1,000 gallons	\$ 2.50

**Sewer Rates:**

<u>Based on Gallons of Water Used</u>	<u>Rate</u>
First 2,000 gallons	\$ 6.60
Each additional 1,000 gallons	\$ 2.20

**Sanitation Rates:**

<u>Type</u>	<u>Monthly Charge</u>
Residential	\$ 18.00
Commercial	
1/3 dumpster or less pickup per week	\$ 18.00
1/3 to 2/3 dumpster pickup per week	\$ 36.00
Per full dumpster and per pickup in week	\$ 54.00

**CITY OF MILLINGTON, TENNESSEE**

**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**

June 30, 2009

---

As discussed in Note 6 to the financial statements, the Shelby County Trustee collects real and personal property taxes on behalf of the City. In that capacity, the Trustee has filed suit on behalf of the City for unpaid taxes. Total amounts filed by year for the last ten years are as follows:

<u>Year of Levy</u>	<u>Amount</u>
2008	\$ 51,080
2007	24,107
2006	33,080
2005	24,635
2004	17,117
2003	22,094
2002	34,548
2001	18,966
2000	9,979
1999	-

# CITY OF MILLINGTON, TENNESSEE

## SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR

June 30, 2009

	Total	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Property taxes receivable - beginning of year	\$ 2,239,801	\$ -	\$ 2,083,283	\$ 92,389	\$ 43,582	\$ 7,362	\$ 3,776	\$ 1,522	\$ 3,170	\$ 2,369	\$ 1,378	\$ 970
ADD:												
Tax levied:	2,264,489	2,264,489										
Adjustments	1,099		1,099									
Total Additions	<u>2,265,588</u>	<u>2,264,489</u>	<u>1,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEDUCT:												
Collections - Net of Refunds	(2,072,654)		(1,972,903)	(58,973)	(33,182)	(3,777)	(1,228)	(256)	(1,059)	(760)	(116)	(400)
Releases	-											
Total Deductions	<u>(2,072,654)</u>	<u>-</u>	<u>(1,972,903)</u>	<u>(58,973)</u>	<u>(33,182)</u>	<u>(3,777)</u>	<u>(1,228)</u>	<u>(256)</u>	<u>(1,059)</u>	<u>(760)</u>	<u>(116)</u>	<u>(400)</u>
Property taxes receivable - end of year	2,432,735	2,264,489	111,479	33,416	10,400	3,585	2,548	1,266	2,111	1,609	1,262	570
Less: Allowance for uncollectibles	(245,474)	(174,829)	(46,821)	(14,035)	(4,368)	(1,506)	(1,070)	(532)	(867)	(676)	(530)	(240)
Property taxes receivable, net	<u>\$ 2,187,261</u>	<u>\$ 2,089,660</u>	<u>\$ 64,658</u>	<u>\$ 19,381</u>	<u>\$ 6,032</u>	<u>\$ 2,079</u>	<u>\$ 1,478</u>	<u>\$ 734</u>	<u>\$ 1,244</u>	<u>\$ 933</u>	<u>\$ 732</u>	<u>\$ 330</u>

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF UNACCOUNTED FOR WATER**

June 30, 2009

*( All amounts in gallons )*

A	Water Treated and Purchased:		
B	Water Pumped (potable)	379,732,000	
C	Water Purchased	3,841,060	
D	Total Water Treated and Purchased ( Sum Line B and C )		383,573,060
E	Accounted for Water:		
F	Water Sold	324,875,940	
G	Metered for Consumption	-	
H	Fire Department Usage (unable to determine)	-	
I	Flushing	469,000	
J	Tank Cleaning/Filling	844,000	
K	Street Cleaning	24,000	
L	Bulk Sales	-	
M	Water Bill Adjustments	970,525	
N	Other - Amount of water sold not yet billed	15,521,710	
O	Total Accounted for Water ( Sum Lines thru N )		342,705,175
P	Unaccounted for Water ( Line D minus Line O )		40,867,885
Q	Percent Unaccounted for Water ( Line P divided by Line D times 100 )		10.655%
R	Cost per 1,000 gallons of Water	\$	2.183
S	Cost of Unaccounted for Water ( Line P divided by 1000, times Line R )	\$	89,201





Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International

1661 Aaron Brenner Drive • Suite 300  
Memphis, Tennessee 38120  
901.761.2720 • Fax: 901.683.1120

499 Gloster Creek Village • Suite F-9  
Tupelo, Mississippi 38801  
662.269.4014 • Fax: 662.269.4016

[www.wucpas.com](http://www.wucpas.com)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and Board of Aldermen of the  
City of Millington, Tennessee:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and sanitation fund, and the aggregate remaining fund information of the City of Millington, Tennessee (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider

the deficiencies described in the accompanying schedule of findings and responses and shown as items 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 22, 2009.

This report is intended solely for the information and use of the Board of Mayor and Aldermen, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Memphis, Tennessee  
December 22, 2009

**CITY OF MILLINGTON, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2009

---

2009-1

Condition: Several material journal entries were needed for the financial statements to be adjusted to actual year-end balances. These adjustments were a direct result of audit procedures performed and were not detected by the City's internal control.

Criteria: Material financial misstatements should be detected by the City's internal control.

Effect: Unadjusted financial statements did not properly reflect the financial position or the operations of the City.

Recommendation: Management should obtain training in generally accepted accounting principles as well as pronouncements issued by the Governmental Accounting Standards Board (GASB).

Response: Management agrees with the adjustments that were made at year end and will obtain additional training.

2009-2

Condition: Accounts receivable in the sanitation fund were overstated in the prior year. Accounts receivable were reflected in the Due From Water account as well as the Accounts Receivable – Sanitation account. A restatement was made during the 2009 audit to reflect the correct balances in accounts receivable at June 30, 2008.

Criteria: Accounts receivable should not include amounts that are recorded in the Due From Water account.

Effect: Prior year financial statements reflected an overstatement of accounts receivable in the sanitation fund.

Recommendation: Accounts receivable should be reviewed at year end to ensure that only unbilled receivables are recorded in the Accounts Receivable – Sanitation account at June 30.

Response: Management agrees with the adjustments that were made for the prior period and will review accounts receivable for accuracy.